

**LEGISLATIVE SERVICES AGENCY  
OFFICE OF FISCAL AND MANAGEMENT ANALYSIS**

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**ADMINISTRATIVE RULE  
FISCAL IMPACT STATEMENT**

**PROPOSED RULE:** 03-207

**STATE AGENCY:** Family and Social Services Administration

**DATE PREPARED:** Oct 24, 2003

**DATE RECEIVED:** Sep 16, 2003

**FISCAL ANALYST:** Alan Gossard

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**Digest of Proposed Rule:** This rule amends 405 IAC 5-19-3 to modify the reimbursement methodology for durable medical equipment (DME).

The rule does the following: (1) Permits the Office of Medicaid Policy and Planning (OMPP) to establish reimbursement rates for used DME; (2) Requires providers to bill for services using their usual and customary charges defined as the amount charged to the general public for services; (3) Establishes reimbursement as the lower of the provider's usual and customary charges or the maximum allowable fee schedule amount; (4) Establishes a new maximum allowable fee schedule for DME; (5) Permits OMPP to establish a manual fee when information is not available to determine a fee schedule amount; (6) Requires providers to submit acquisition cost information; and (7) Permits OMPP to update the maximum allowable fee schedule in accordance with the provisions therein.

**Governmental Entities:** *State Impact:* This rule change is estimated by Myers and Stauffer, the state's Medicaid rate-setting contractor, to result in reduced Medicaid program payments, both state and federal, for durable medical equipment of approximately \$1.0 M annually. Of this amount, the state share would amount to approximately \$0.38 M.

OMPP anticipates implementation of the rule change in March 2004. Consequently, if implementation were March 1, 2004, approximately one-third of the annual savings described above would be realized in FY 2004.

This rule places no unfunded mandates upon state government.

*Background Information:* The \$1.0 M in reduced expenditures is based on an estimated 2% savings for DME. Two of the major components of the rule change are to (a) establish pricing for items that do not currently have a rate and (b) require providers to submit acquisition cost information. According to Myers and Stauffer, these are "manually priced" items. Currently, these items would be paid at either 90% of the billed amount or 130% of the submitted cost. This rule change will now require providers to submit acquisition cost information with reimbursement to be 120% of that amount. In addition, the rule will now allow reimbursement rates to be established for DME items that comprise the upper 80% of Medicaid DME expenditures.

*Local Impact:* There should be no impact and no unfunded mandates upon any local government unit.

**Regulated Entities:** These rule changes are anticipated to reduce Medicaid reimbursement to providers of

durable medical equipment by approximately \$1.0 M annually.

**Information Sources:** Kate Bowen, OMPP, (317) 233-1662.